



**HOUSE OF REPRESENTATIVES  
SELECT COMMITTEE ON FISCAL AFFAIRS**

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*Jerry Luke LeBlanc, Chairman  
Bryant O. Hammett, Jr. Vice Chairman*

*Charlie DeWitt, Speaker  
Emile "Peppi" Bruneau, Speaker Pro Tempore*

March 23, 2001

The Honorable Charlie DeWitt  
Speaker of the Louisiana House of Representatives  
1<sup>st</sup> Floor, State Capitol  
Baton Rouge, LA 70802

Re: Select Committee on Fiscal Affairs (SCOFA) Final Report

Dear Speaker DeWitt:

On behalf of the members of the committee, I submit to you the Final Report of the House Select Committee on Fiscal Affairs. Your charge to the committee last August was to examine all aspects of the state budget, both spending and revenue issues, and find viable options to alleviate the state's continuing fiscal concerns. During the past six months, the committee has vigorously committed itself to this task, holding almost weekly hearings, receiving hours of testimony, examining staff research and analysis, and reviewing hundreds of pages of additional materials submitted in response to information requests arising from the committee's hearings.

This report summarizes the results of the committee's work. The Findings and Options contained in the report provide an outline of actions which could be taken to address some of the state's most pressing fiscal problems. Many of these options do not produce an immediate savings, but instead call for a change in priorities that would result in cost savings and increased efficiency in the future.

Implementation of many of the proposed options will require statutory change. Legislation for several of these has been prefiled in the Regular Session. Other options can be accomplished through agency rule changes or other administrative actions by state agencies, some of which may require direction through legislative resolution. Amendments to the General Appropriations Bill would be sufficient to implement certain of these proposed options, and in certain areas, further study is recommended.

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Also on behalf of the committee, I want to thank you for appointing this committee and calling on us to undertake this effort. It has proven to be a valuable and enlightening experience for those of us who have served on the committee, and it is our hope that this report will assist the House of Representatives in its deliberations on state fiscal issues.

Sincerely,

Jerry Luke LeBlanc  
Chairman

JLL/JSV/lfb

## SELECT COMMITTEE ON FISCAL AFFAIRS

The House Select Committee on Fiscal Affairs was appointed by Speaker Charlie DeWitt in August 2000. The committee was charged by the Speaker with studying ways to alter state spending and revamp state tax and revenue collection with the goal of developing productive and achievable options for addressing the state's continuing fiscal problems. All areas of the state and political perspectives were represented on this 21-member committee.

The committee met for the first time on Wednesday, August 23 and elected Representative Jerry LeBlanc as Chairman and Representative Bryant Hammett as Vice Chairman. The committee held 25 meetings during the interim from September 2000 through January 2001, examining many areas of state fiscal policy. Among the areas reviewed by this committee were the following:

- **Collections/Receivables** - The committee reviewed the revenue collection practices of various state agencies, including the Department of Revenue, Department of Wildlife and Fisheries, and the Office of Motor Vehicles in the Department of Public Safety and Corrections. These agencies had substantial amounts of uncollected revenues over the past several years. Despite recent efforts to address these problems, the committee discovered that additional technological and procedural improvements could enhance collection efforts. As a result of the committee's hearings, improved processes have already been put in place and options for further changes are contained in this report. The committee also examined state agency policies for writing off bad debt to determine if that process is consistent with sound business and government accounting practice, prompting initial development of a statewide collections and receivables policy. Several options to assist the Department of Revenue in its revenue collection efforts are also included in the report.
- **Duplication** - The committee held extensive hearings on the Legislative Auditor's *Report on Overlap, Duplication and Fragmentation Across Executive Branch Departments* to identify efficiencies which can be implemented in state government. Among the areas discussed and included in this report are consolidation of museum operations, now split between the Department of State and Department of Culture, Recreation and Tourism, and consolidation of workforce training programs of the Departments of Labor and Economic Development. The committee also considered the issue of consolidation of the Departments of Elections and Department of State.
- **Special Treasury Funds** – The committee examined in detail all special treasury funds. The state treasury contains over 290 dedicated funds representing a budgeted amount of \$2.2 billion. Additionally, mandated expenditures for the Minimum Foundation Program, Revenue Sharing and other distributions total over \$2.5 billion. In a fiscal crisis, these dedications and required expenditures restrict the ability of the administration and legislature to distribute reductions to all areas of the budget, resulting in a disproportionate impact on health care and higher education. The

committee identified numerous inactive funds that could be repealed and many others which should be revised or consolidated.

- **State/Local Government Fiscal Relationships** - Testimony from representatives of municipalities, police juries, sheriffs, and school boards focused on how state policy affects the ability of local governments to raise funds and respond to local needs. State tax exemptions which affect local revenues, including the industrial tax exemption, were discussed, including testimony from local assessors. This report contains options for undertaking a detailed reexamination of state/local financial relationships, as well as options for reevaluation of components of the industrial tax exemption in light of current economic development priorities.
- **Health Care Issues** - Discussions of health care financing issues focused on pharmacy costs, care for the uninsured, and mental health and developmental disability services. Data presented to the committee highlighted the major "cost drivers" for Medicaid spending, and demonstrated that state services for the mentally ill and developmentally disabled in Louisiana rely more heavily than other states on institutional rather than community care. This report includes options to promote use of community services while preserving necessary institutional beds, including vigorous pursuit of federal waiver options. Options to control costs in the pharmacy program are also identified.
- **TANF** - As a result of welfare reform, the number of recipients and resources required for cash assistance have declined and a large balance of unobligated TANF funds has accumulated. This report includes numerous options for using this unobligated balance, combined with the flexibility of the block grant structure, to support programs that would reduce future dependency.
- **Education** – The committee discussed many education areas, among which were Charter Schools, TOPS, and the Minimum Foundation Program. The report includes options to address both financial and programmatic issues in the Charter Schools and TOPS programs, and use of MFP funds for teacher pay increases.
- **Corrections** - The committee examined the dramatic growth in prison population and costs. State and federal sentencing guidelines, including mandatory minimum terms, requiring 85% of sentences to be served, and "three strikes" laws, have had a tremendous impact on this growth. The number of aging and chronically ill inmates is also increasing. Suggested options to reduce costs and reduce recidivism rates include enhanced exercise of existing parole authority, review of mandatory minimums to determine effectiveness, better basic education and job skills training, and increased use of alternatives to incarceration such as drug courts.

The report format includes an Executive Summary which lists Findings of the committee and associated Options for addressing each Finding. These are organized according to subject areas considered by the committee, generally in the schedule order contained in the General Appropriation Bill. The Executive Summary is followed by the full report, which contains detailed information for each Finding and each Option, including Background and Description, Estimated Fiscal Impact, and Action Required to Implement. Further analysis and information developed by the committee study is included in Appendix for selected subject areas.

Implementation of many of the proposed options will require statutory change. Other options can be accomplished through agency rule changes or other administrative actions by state agencies, some of which may require direction through legislative resolution. Amendments to the General Appropriation Bill would be sufficient to implement certain of these proposed options, and in certain areas, further study is recommended.